
Year: 2025 Compartment

Objective Type Questions (1 Mark)

- **Q2 (i):** The term 'debenture' is used for instruments issued by the:
 - **Answer:** (C) Private Corporate Sector.
- **Q2 (ii):** Which of the following is not considered as the power of SEBI?
 - **Answer:** (C) Regulating the foreign currency management.
- **Q2 (iii):** It finalises the list of eligible allottees after deleting the invalid applications...
 - **Answer:** (D) Registrar.
- **Q2 (iv):** _____ refers to the periodic interest payments that are made by the borrower to the lender:
 - **Answer:** (B) Coupon.
- **Q2 (v):** Which of the following is not traded on exchange?
 - **Answer:** (B) Forward Contract. (It is a customized contract between two entities).
- **Q2 (vi):** These funds invest in companies spread across sectors...
 - **Answer:** (C) Diversified Fund.
- **Q3 (i):** Fixed deposits with banks, small saving instruments with post offices... are examples of:
 - **Answer:** (B) Financial Assets.
- **Q3 (ii):** The group of market participants that collectively facilitates interaction between investors and issuers is known as:
 - **Answer:** (D) Intermediaries.
- **Q3 (iii):** Which statement is not correct about the role of SEBI in an issue?
 - **Answer:** (D) SEBI also recommends issues and takes any responsibility for the financial soundness of any scheme or the project...
- **Q3 (iv):** Statement I: Bond is a negotiable instrument evidencing indebtedness. Statement II: Bond is normally unsecured.
 - **Answer:** (D) Both Statements I and II are true.
- **Q3 (v):** The quality of asset underlying a contract can vary at times under which derivatives?
 - **Answer:** (A) Commodity Derivatives.
- **Q3 (vi):** Write the formula of Interest Coverage Ratio.
 - **Answer:** Earnings Before Interest and Taxes / Interest.
- **Q4 (i):** _____ is a product whose value is derived from the value of one or more basic variables called 'underlying'.
 - **Answer:** (C) Derivative.
- **Q4 (ii):** What is a Portfolio?
 - **Answer:** A Portfolio is a combination of different investment assets mixed and matched for the purpose of achieving an investor's goal(s).
- **Q4 (iii):** Assertion (A): Secondary markets enable price discovery... Reason (R): Secondary markets provide liquidity...

- **Answer:** (B) Both (A) and (R) are true, but (R) is not the correct explanation of (A).
- **Q4 (iv):** Electronic holdings can be converted into physical certificates. This process is known as:
 - **Answer:** (B) Rematerialisation.
- **Q4 (v):** Under the SEBI (Buy Back of Securities) Regulations, 1998, a company is permitted to buy back its shares from:
 - **Answer:** (D) (i), (ii) and (iii).
- **Q4 (vi):** _____ is a part of subscribed capital which has been called-up by the company for payment.
 - **Answer:** (A) Called-up capital.
- **Q5 (i):** Which one of the following factors does not govern the interest rates?
 - **Answer:** (C) Rate of Return.
- **Q5 (ii):** According to the Companies Act, 2013, an offer to subscribe to securities made to not more than 50 persons is called a _____ of securities.
 - **Answer:** (A) Private placement.
- **Q5 (iii):** NSE is the first exchange in the world to use satellite communication technology for trading. Its trading system is called:
 - **Answer:** (D) NEAT.
- **Q5 (iv):** Assertion (A): Dematerialised shares have distinctive numbers. Reason (R): These shares are fungible...
 - **Answer:** (D) (A) is false, but (R) is true.
- **Q5 (v):** An investor holds 100 shares of ABC Ltd. The company's face value of a share is 10. The company decided stock split in 1: 1 ratio. What would be the face value...
 - **Answer:** Rs. 5.
- **Q5 (vi):** These shares cannot be traded and are redeemed after the pre-decided period. What are these shares?
 - **Answer:** (B) Preference shares.

Subjective Type Questions (2-4 Marks)

- **Q11: Explain who prepares the prospectus.**
 - **Answer:** The 'Prospectus' is prepared by the company with the help of 'Merchant Bankers' and is then submitted to SEBI for its approval.
- **Q12: How was this deficiency of the trading system overcome?**
 - **Answer:** In order to provide efficiency, liquidity and transparency, NSE introduced a nationwide, on-line, fully-automated screen based trading system (SBTS) where a transaction is executed as soon as a matching sale or buy order from a counter party is found.
- **Q13: What is meant by 'ISIN'?**
 - **Answer:** ISIN (International Securities Identification Number) is a unique identification number for a security.
- **Q14: Under rolling settlement... trades in rolling settlement are settled on T+2. What does T and +2 stand for?**
 - **Answer:** 'T' stands for the trade day. The '+2' signifies that the funds and securities

pay-in and pay-out are carried out on the 2nd working day after the trade is executed.

- **Q15: List the features of annual report.**
 - **Answer:** The annual report shows assets, liabilities, revenues, expenses and earnings. It shows how the company stood at the close of the business year, how it fared profit-wise during the year, as well as other information of interest to shareholders.
- **Q16: Calculate the Inventory Turnover Ratio... (Net sales ₹2,00,000; Net Profit ₹50,000; Opening Stock ₹1,00,000; Closing Stock ₹50,000).**
 - **Answer:** * Formula: Inventory Turnover Ratio = Cost of Goods Sold / Average Inventory.
 - Cost of Goods Sold (COGS) = Net Sales - Gross Profit.
 - (Note: The question paper erroneously provides "Net Profit" instead of "Gross Profit". Assuming Net Profit = Gross Profit for the sake of calculation): COGS = 2,00,000 - 50,000 = 1,50,000.
 - Average Inventory = (1,00,000 + 50,000) / 2 = 75,000.
 - Ratio = 1,50,000 / 75,000 = **2 times.**
- **Q17: Explain the following: (a) Floor Price (b) Price Band and who decides this price band.**
 - **Answer:** * **(a) Floor Price:** Floor price is the minimum price at which bids can be made.
 - **(b) Price Band:** The prospectus may contain a price band within which the investors can bid. It is up to the company to decide on the price or the price band, in consultation with Merchant Bankers.
- **Q18: (a) What do you mean by 'Ask Price' and 'Bid Price'? (b) Identify the best Bid order... (c) Identify the best Sell order...**
 - **Answer:** * **(a)** The 'Bid' is the buyer's price (rate at which there is a ready buyer). The 'Ask' (or offer) is the rate/price at which there is a seller ready to sell his stock.
 - **(b)** The best Buy (Bid) order is the order with the highest price: 1000 Qty @ ₹ 50.25.
 - **(c)** The best Sell (Ask) order is the order with the lowest sell price: 2000 Qty @ ₹ 50.35.
- **Q19: Distinguish between 'open-end fund' and 'close-end fund'.**
 - **Answer:** * **Open-ended Funds:** Do not have a fixed date of redemption. Generally open for subscription and redemption throughout the year.
 - **Close-ended Funds:** Open initially for entry during the IPO and thereafter closed for entry as well as exit. Have a fixed date of redemption.
- **Q20: Give the meaning of corporate actions. State the different types of corporate actions.**
 - **Answer:** A corporate action is a process initiated by a company that will bring actual change to its securities either in terms of number of shares increasing in the hands of the shareholders or a change to the face value of the security. Types include: dividends, stock splits, rights issues, bonus issues.
- **Q21: Explain corporate analysis and financial analysis.**
 - **Answer:** * **Corporate Analysis:** Seeking information on a company's current

operations, managerial capabilities, growth plans, and its past performance vis-a-vis its competitors.

- **Financial Analysis:** Evaluating the financial performance of the company and certain key financial parameters like Earnings Per Share (EPS), P/E ratio, current size of equity etc. for arriving at the estimated future price.

Year: 2025

Objective Type Questions (1 Mark)

- **Q2 (i):** The next year you earn interest on both your original capital and interest from the first year... This concept is known as:
 - **Answer:** (B) The concept of Compounding.
- **Q2 (ii):** Which of the following is not a security?
 - **Answer:** (D) Fixed Deposit Receipts.
- **Q2 (iii):** _____ is a mechanism, where... bids are collected from investors at various prices...
 - **Answer:** (C) Book Building.
- **Q2 (iv):** Companies whose potential for growth in sales and earnings are excellent... are called:
 - **Answer:** (C) Growth Stock.
- **Q2 (v):** A farmer agrees to sell his produce of wheat to a Miller, 6 months later... Identify the type of contract.
 - **Answer:** Forward Contract.
- **Q2 (vi):** Investment decisions in a mutual fund are made by fund managers who have the expertise... Identify the advantage:
 - **Answer:** (D) Professional Management.
- **Q3 (i):** Which of the following is a long-term investment option?
 - **Answer:** (D) Post Office monthly income scheme.
- **Q3 (ii):** It is entrusted with responsibility of regulating and developing the securities market... Who is this market participant and what is the name of this entity?
 - **Answer:** Regulator, Securities and Exchange Board of India (SEBI).
- **Q3 (iii):** Which of the following is not an advantage of Book Building through NSE?
 - **Answer:** (D) The system increases the time taken for completion of the issue process.
- **Q3 (iv):** _____ is a percentage of the face value of a share that a company returns to its shareholders from its annual profit.
 - **Answer:** (A) Dividends.
- **Q3 (v):** Commodity derivatives market trade contracts for which the underlying asset is...
 - **Answer:** (D) Commodity.
- **Q3 (vi):** Which of the following is the formula of Debt-Equity?
 - **Answer:** (A) Total Debt / Total Equity.
- **Q4 (i):** When we borrow money, we are expected to pay for using it this is known as:
 - **Answer:** Interest.
- **Q4 (ii):** The actual discovered issue price can be any price in the price band or any price

above the floor price. This issue price is referred to:

- **Answer:** (C) Cut-off Price.
- **Q4 (iii):** "Portfolio Management Services" could be offered only by intermediaries having specific approval of _____ for PMS.
 - **Answer:** (A) SEBI.
- **Q4 (iv):** Which of the following provides dematerialization of securities?
 - **Answer:** (B) National Securities Depository Limited (NSDL).
- **Q4 (v):** What is a record date?
 - **Answer:** A date announced in advance by a company to determine exactly who the shareholders are on a given date to accrue benefits like dividends, bonus, or rights issues.
- **Q4 (vi):** Assertion (A): Equity shareholders are supposed to be the owners of the company. Reason (R): Equity shareholders have a right to vote...
 - **Answer:** (A) Both (A) and (R) are true and (R) is the correct explanation of (A).
- **Q5 (i):** It is like a bank wherein the securities are deposited in electronic form:
 - **Answer:** (B) Depository.
- **Q5 (ii):** The draft offer Document is available on the SEBI website for public comments for a period of _____.
 - **Answer:** (B) 21 Days.
- **Q5 (iii):** Secondary market comprises of _____ and the _____.
 - **Answer:** (A) Equity market, Debt markets.
- **Q5 (iv):** It keeps the client informed of corporate actions taken or to be taken...
 - **Answer:** (D) Custodian.
- **Q5 (v):** Statement-I: On account of non-delivery of securities... the securities are put up for auction. Statement-II: The exchange purchases the requisite quantity...
 - **Answer:** (D) Both Statement-I and Statement-II are true.
- **Q5 (vi):** _____ is the sum of present values of all the cash inflows of this annuity.
 - **Answer:** (C) The present value of annuity.

Subjective Type Questions (2-4 Marks)

- **Q11: Explain why do companies require to issue shares to the public?**
 - **Answer:** The promoters' capital and the borrowings from banks and financial institutions may not be sufficient for setting up or running the business over a long term. So companies invite the public to contribute towards the equity and issue shares to individual investors.
- **Q12: What does maturity of a 'Bond' refer to?**
 - **Answer:** Maturity of a bond refers to the date on which the bond matures, which is the date on which the borrower has agreed to repay the principal.
- **Q13: Who can be depository participants? Mention two depositories in India.**
 - **Answer:** According to SEBI regulations, three categories of entities, i.e. Banks,

Financial Institutions, and SEBI registered trading members can become DPs. The two depositories in India are National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL).

- **Q14: Define 'Nifty'.**
 - **Answer:** CNX Nifty (Nifty), is a scientifically developed, 50 stock index, reflecting accurately the market movement of the Indian markets. It comprises of some of the largest and most liquid stocks traded on the NSE.
- **Q15: List two 'applications of funds' and two sources of funds.**
 - **Answer: * Applications of Funds (any two):** Fixed Assets, Investments, Current Assets (Loans and advances).
 - **Sources of Funds (any two):** Shareholders' Funds (Share Capital, Reserves & surplus), Loan Funds (Secured loans, Unsecured loans).
- **Q16: What do mean by Current Ratio? Also write the formula of Current Ratio.**
 - **Answer:** The current ratio measures the ability of the firm to meet its current liabilities from the current assets. Formula: $\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$.
- **Q17: What are foreign currency convertible bonds, Global Depository Receipts (GDRs) and American Depository Receipts?**
 - **Answer: * Foreign currency convertible bonds:** Commonly known as 'Euro' issues. A convertible bond gives the investor the option to convert the bond into equity at a fixed conversion price.
 - **American Depository Receipt (ADR):** A physical certificate evidencing ownership of American Depository Shares (ADSs). It is a U.S. dollar denominated form of equity ownership in a non-U.S. company.
 - **Global Depository Receipts (GDRs):** A global finance vehicle that allows an issuer to raise capital simultaneously in two or more markets through a global offering.
- **Q18: What do you mean by stock exchange? What are the roles of stock exchange in securities market?**
 - **Answer:** 'Stock Exchange' is defined as any body of individuals, whether incorporated or not, constituted for the purpose of assisting, regulating or controlling the business of buying, selling or dealing in securities. Role: The stock exchanges in India provide a trading platform, where buyers and sellers can meet to transact in securities.
- **Q19: Explain the various types of risk in investing in mutual fund.**
 - **Answer: * Market risk:** If overall markets fall, the value of holdings in the fund's portfolio can drop.
 - **Non-market risk:** Bad news about an individual company can pull down its stock price, negatively affecting fund holdings.
 - **Interest rate risk:** When interest rates rise, bond prices fall, affecting the fund negatively.
 - **Credit risk:** The risk of the corporate defaulting on their interest and principal payment obligations.
- **Q20: Explain the following: (a) The function of clearing corporation (b) Types of return received by investor in equities**

- **Answer: * (a) Function of clearing corporation:** It clears and settles all transactions, provides financial guarantee for all transactions executed on the exchange, and provides risk management functions.
 - **(b) Types of return received by investor in equities:** Returns come in two forms:
 - a) growth in the value (market price) of the share and b) dividends.
- **Q21: Which of options you prefer to choose? Explain with the help of the time value of money concept. ((a) Receive ₹ 10,000 now or (b) Receive ₹ 10,000 after three years)**
 - **Answer:** You would rationally choose option (a), to receive Rs. 10,000 now. The time value of money demonstrates that it is better to have money now rather than later. By receiving Rs. 10,000 today, you can increase the future value of your money by investing and gaining interest over a period of time. If you receive it in three years, the future value would only be Rs. 10,000.

Year: 2024

Objective Type Questions (1 Mark)

- **Q2 (i):** Financial asset usually a debt instrument sold by companies/government...
 - **Answer:** (a) Bonds.
- **Q2 (ii):** Assertion (A): Securities are financial instruments... Reason (R): Primary function of securities markets is flow of capital...
 - **Answer:** (a) Both (A) and (R) are true and (R) is the correct explanation of (A).
- **Q2 (iii):** Book building is basically a process used in IPO for efficient:
 - **Answer:** Price discovery.
- **Q2 (iv):** NSE introduced a nationwide, fully-automated trading system...
 - **Answer:** (c) Screen Based Trading System (SBTS).
- **Q2 (v):** Contract to sell 500kg rice 2 months from now at an agreed price today...
 - **Answer:** Forward Contract.
- **Q2 (vi):** Funds investing primarily in equity shares of a particular business sector...
 - **Answer:** (c) Sector Fund.
- **Q3 (i):** ____ is an amount charged to the borrower for the privilege of using borrowed money.
 - **Answer:** Interest.
- **Q3 (ii):** Its regulatory jurisdiction extends over corporates...
 - **Answer:** (b) Securities Exchange Board of India (SEBI).
- **Q3 (iii):** A listed company makes either a fresh issue or offer for sale...
 - **Answer:** (d) Further Issue (FPO).
- **Q3 (iv):** What is a Bonus share?
 - **Answer:** Shares issued by the companies to their shareholders free of cost based on the number of shares the shareholder owns.
- **Q3 (v):** Define Commodity Exchange.
 - **Answer:** A Commodity Exchange is an association, or a company of any other body

corporate organizing futures trading in commodities.

- **Q3 (vi):** Which of the following is not a profitability ratio?
 - **Answer:** (c) Debt-Equity Ratio.
- **Q4 (i):** Platform where buyers and sellers come together to trade financial tools...
 - **Answer:** Stock Exchange.
- **Q4 (ii):** Main objective(s) of primary market:
 - **Answer:** (d) Both (a) To raise funds and (b) Issuance of New Securities.
- **Q4 (iii):** ____ are High Risk Investments.
 - **Answer:** Equities.
- **Q4 (iv):** Statement-1: Depository facilitates securities... Statement-2: Depository also holds funds.
 - **Answer:** (d) Statement-1 is true, but Statement-2 is false.
- **Q4 (v):** Splitting stock to bring share price to a more attractive level.
 - **Answer:** (d) Stock splits.
- **Q4 (vi):** Record showing sources of funds and assets:
 - **Answer:** (a) Balance Sheet.
- **Q5 (i):** The various products in which investments may be done... The non-financial products are also known as:
 - **Answer:** (c) Real Assets.
- **Q5 (ii):** The companies that issue their shares are called issuers and the process of issuing shares to public is known as:
 - **Answer:** Public Issue.
- **Q5 (iii):** Trading at the exchange offers investors:
 - **Answer:** (a) The best prices prevailing at time in the market.
- **Q5 (iv):** Assertion (A): The Depository has prescribed minimum balance. Reason (R): Investors can have zero balance in their demat account.
 - **Answer:** (d) (A) is false, but (R) is true.
- **Q5 (v):** In case one of parties to the dispute is not satisfied... concerned party may avail the:
 - **Answer:** (a) Arbitration.
- **Q5 (vi):** The retained profits accumulated over the years are called:
 - **Answer:** (c) Reserves and Surplus.

Subjective Type Questions (2-4 Marks)

- **Q11: Enumerate two roles of registrar related to public issues.**
 - **Answer:** The Registrar finalizes the list of eligible allottees after deleting the invalid applications and ensures that the corporate action for crediting of shares to the demat accounts of the applicants is done and the dispatch of refund orders to those applicable are sent.
- **Q12: Describe the two advantages of secondary market.**
 - **Answer:** * It provides liquidity and marketability to securities.
 - It enables price discovery.

- It provides an efficient platform for the trading (easy buying and selling) of securities for the general investor.

● **Q13: (a) Define depository participants. (b) Who can be depository participants?**

- **Answer:** (a) The Depository provides its services to investors through its agents called depository participants (DPs). (b) According to SEBI regulations, amongst others, three categories of entities, i.e. Banks, Financial Institutions and SEBI registered trading members can become DPs.

● **Q14: Explain any two of the following terms: (a) Ex-Date (b) Investor Protection Fund (c) Record Date.**

- **Answer:** * **(a) Ex-Date:** The first day of the no-delivery period is the ex-date. If there are any corporate benefits such as rights, bonus, or dividend announced, the buyer of the shares on or after the ex-date will not be eligible for the benefits.
 - **(b) Investor Protection Fund:** Maintained by NSE to make good investor claims, which may arise out of non-settlement of obligations by the trading member, who has been declared a defaulter.
 - **(c) Record Date:** A date declared in advance by the company to determine exactly the shareholders whose names appear on the company's records to accrue benefits like dividends, bonus issues, and rights issues.

● **Q15: Calculate the value of deposit (Compound interest) of 5000 made today, 2 years hence if interest rate is 8%.**

- **Answer:** $C = P(1+i)^n$. $C = 5000 * (1 + 0.08)^2 = 5000 * 1.1664 = \text{Rs. } 5832$.

● **Q16: What are quick (Acid) Assets? Write the formula of Acid-Test Ratio.**

- **Answer:** Quick assets are defined as current assets excluding inventories and prepaid expenses. Acid-test Ratio = Quick Assets / Current Liabilities.

● **Q17: Explain the various types of issues of share.**

- **Answer:** * **Initial Public Offering (IPO):** When an unlisted company makes either a fresh issue of securities or an offer for sale of its existing securities or both for the first time to the public.
 - **Further Public Offering (FPO):** When an already listed company makes either a fresh issue of securities to the public or an offer for sale to the public.
 - **Rights Issue:** When a listed company proposes to issue fresh securities to its existing shareholders as on a record date.
 - **Preferential issue:** An issue of shares or of convertible securities by listed companies to a select group of persons.

● **Q18: What is a debt instrument? Explain the features of debt instrument.**

- **Answer:** Debt instrument represents a contract whereby one party lends money to another on pre-determined terms with regards to rate and periodicity of interest, and repayment of principal amount. The features are:
 - **Maturity:** The date on which the bond matures and the borrower repays the principal.

- **Coupon:** The periodic interest payments made by the borrower to the lender.
- **Principal:** The amount that has been borrowed, also called the par value or face value.
- **Q19: How dividend yield is calculated and find dividend yield with given information.**
 - **Answer:** Dividend yield is calculated by aggregating past year's dividend and dividing it by the current stock price. Calculation: $20 / 500 = 0.04$ or **4%**.
- **Q20: Explain the following terms: (a) Net worth (b) Time value of Money (c) Corporate Analysis (d) Loan Fund.**
 - **Answer:** * **(a) Net worth:** Shareholders' Fund is the fund coming from the owners of the company.
 - **(b) Time value of Money:** The relationship between value of a rupee today and value of a rupee in future.
 - **(c) Corporate Analysis:** Seeking information on a company's current operations, managerial capabilities, growth plans, and past performance vis-a-vis its competitors.
 - **(d) Loan Fund:** The fund borrowed from outsiders.
- **Q21: (a) Mention assets in which mutual fund invests. (b) Describe any three benefits of investing in Mutual Fund.**
 - **Answer:** * **(a)** Mutual funds invest in a variety of different financial instruments or securities such as equity shares, Government securities, Bonds, debentures etc.
 - **(b) Benefits:** 1) **Small investments:** Helps reap the benefit of returns by a portfolio spread across a wide spectrum with small investments. 2) **Professional Fund Management:** Professionals having expertise and resources manage the pool of money. 3) **Spreading Risk:** Spreads risk by investing in a number of sound stocks or bonds.

Year: 2023

Objective Type Questions (1 Mark)

- **Q2 (i):** What is meant by 'Real rate of return'?
 - **Answer:** It is the return on an investment after inflation.
- **Q2 (ii):** Regulatory jurisdiction covers corporates in issuance of capital...
 - **Answer:** (b) SEBI.
- **Q2 (iii):** Minimum number of days for which a bid remains open during book building.
 - **Answer:** (a) Three days.
- **Q2 (iv):** Which of the following is not a credit rating agency in India?
 - **Answer:** (d) RBI.
- **Q2 (v):** Commodity derivatives market trade contracts for which the underlying asset is...
 - **Answer:** (d) Commodity.
- **Q2 (vi):** Expand the term 'ETF'.
 - **Answer:** Exchange Traded Fund.
- **Q3 (i):** ___ are specialised form of mutual funds that invest in extremely short-term fixed

income instruments.

- **Answer:** (a) Liquid Funds.
- **Q3 (ii):** The market which deals in securities previously issued is called:
 - **Answer:** (c) Secondary Market.
- **Q3 (iii):** How can we find Market Capitalisation of a company?
 - **Answer:** By multiplying its current share price (market price) by the number of shares in issue.
- **Q3 (iv):** The trading system of NSE is called:
 - **Answer:** (b) NEAT.
- **Q3 (v):** A buyer of an option pays for the right to exercise his option. Identify the term.
 - **Answer:** Option Premium.
- **Q3 (vi):** What is the formula of P/E Ratio?
 - **Answer:** (a) Market price of a share / Earning per share.
- **Q4 (i):** Give two examples of financial assets.
 - **Answer:** Fixed deposits with banks, small saving instruments with post offices, shares, bonds, debentures, etc.
- **Q4 (ii):** It accompanies the application form of public issues.
 - **Answer:** (c) Prospectus.
- **Q4 (iii):** Owners of these kinds of shares are entitled to a fixed dividend regularly...
 - **Answer:** (a) Preference shares.
- **Q4 (iv):** What do you understand by 'Dematerialisation'?
 - **Answer:** Dematerialization is the process by which physical certificates of an investor are converted to an equivalent number of securities in electronic form and credited to the investor's account with his Depository Participant (DP).
- **Q4 (v):** Amit holds 400 shares. Company implements a stock split of 4 for 1. How many shares will he hold?
 - **Answer:** (b) 1600.
- **Q4 (vi):** Evaluation of financial performance and key parameters to arrive at estimated future price is known as:
 - **Answer:** (c) Financial Analysis.
- **Q5 (i):** "It is often the first banking product people use, which offers low interest."
 - **Answer:** (d) Saving Bank Account.
- **Q5 (ii):** What do you understand by 'Global Depository Receipts'?
 - **Answer:** Global Depository Receipts (GDRs) may be defined as a global finance vehicle that allows an issuer to raise capital simultaneously in two or markets through a global offering.
- **Q5 (iii):** A bond giving investor the option to convert the bond into equity at a fixed conversion price is called:
 - **Answer:** (a) Convertible Bond.
- **Q5 (iv):** Hold the fund in _____ account.
 - **Answer:** (a) Bank.
- **Q5 (v):** Mention two examples of 'Corporate Actions'.
 - **Answer:** Dividends, stock splits, rights issues, bonus issues.

- **Q5 (vi):** A part of the profit is retained by the company for meeting fund requirements in future.
 - **Answer:** (c) Reserves and Surplus.

Subjective Type Questions (2-4 Marks)

- **Q11: What does 'Listing agreement' mean?**
 - **Answer:** At the time of listing securities of a company on a stock exchange, the company is required to enter into a listing agreement with the exchange. The listing agreement specifies the terms and conditions of listing and the disclosures that shall be made by a company on a continuous basis to the exchange.
- **Q12: What are the benefits of investing in equities or shares? (any two)**
 - **Answer:** Benefits of investing in equities include:
 - **Capital appreciation:** Equities have the potential to increase in value over time.
 - **Dividend income:** Receiving a percentage of the face value of a share that a company returns to its shareholders from its annual profits.
 - **Ownership and voting rights:** The holders of such shares are members of the company and have voting rights.
- **Q13: Describe the process of dematerializing of shares.**
 - **Answer:** In order to dematerialise physical securities one has to fill in a Demat Request Form (DRF) which is available with the DP and submit the same along with physical certificates one wishes to dematerialise. Separate DRF has to be filled for each ISIN number.
- **Q14: What does Industry Analysis mean?**
 - **Answer:** It is very important to see how the industry to which the company belongs is faring. Specifics like effect of Government policy, future demand of its products etc. need to be checked. Investment analysts call this as Industry Analysis.
- **Q15: Define the following terms: (a) Record Date (b) Pay-out**
 - **Answer: * (a) Record Date:** A date declared in advance by the company to determine exactly the shareholders whose names appear on the company's records to accrue benefits like dividends, bonus issues, and rights issues.
 - **(b) Pay-out:** Pay-out day is the day the securities purchased are delivered to the buyers and the funds for the securities sold are given to the sellers by the exchange.
- **Q16: Explain the Debt-Asset Ratio.**
 - **Answer:** Debt-Asset Ratio = Total Debt / Total Assets. Total debt comprises of long term debt plus current liabilities. The total assets comprise of permanent capital plus current liabilities. It is a leverage ratio used to judge the long-term solvency of a firm.
- **Q17: Explain the role of merchant banker in an issue / Does SEBI play role in fixation of price / Mention two types of issues / Who decides the final prices.**
 - **Answer: * (a)** Generally, the public issues of companies are handled by 'Merchant Bankers' who are responsible for getting the project appraised, finalizing the cost of

the project, profitability estimates and for preparing the 'Prospectus'.

- **(b)** SEBI does not play any role in price fixation.
- **(c)** Two types of issues: fixed price and price discovery through book building process.
- **(d)** It is up to the company to decide on the price or the price band, in consultation with Merchant Bankers.

● **Q18: Explain information required to be mentioned on the contract note issued by the stock broker.**

- **Answer:** The contract note inter-alia should have: Name, address and SEBI Registration number of the Member broker. Name of Partner/Proprietor/Authorised Signatory. Contract number, date of issue of contract note, settlement number and time period for settlement. Constituent (Client) name/Code Number. Order number and order time corresponding to the trades. Trade number and Trade time. Quantity and kind of security bought/sold by the client. Brokerage and Purchase/Sale rate.

● **Q19: Define the following terms: (a) Active fund Management (b) Index Fund (c) Value Investment Strategy (d) Net Asset Value.**

- **Answer: * (a) Active fund Management:** When investment decisions of the fund are at the discretion of a fund manager(s) and he or she decides which company, instrument or class of assets the fund should invest in.
 - **(b) Index Fund:** These funds invest in the same pattern as popular market indices like S&P CNX Nifty. Money is invested only in the stocks which represent the index.
 - **(c) Value Investment Strategy:** A Value Manager looks to buy companies that they believe are currently undervalued in the market, but whose worth they estimate will be recognized in the market valuations eventually.
 - **(d) Net Asset Value:** NAV or Net Asset Value of the fund is the cumulative market value of the assets of the fund net of its liabilities.

● **Q20: Define the clearing corporation and explain the role of clearing corporation.**

- **Answer:** A Clearing Corporation is a part of an exchange or a separate entity. It performs three functions: it clears and settles all transactions (completes the process of receiving and delivering shares/funds to buyers and sellers), it provides financial guarantee for all transactions executed on the exchange, and it provides risk management functions.

● **Q21: Differentiate between equity shareholders and preference shareholders.**

- **Answer:** Equity Shareholders are supposed to be the owners of the company, who therefore have right to get dividend, as declared, and a right to vote in the Annual General Meeting for passing any resolution. A preference share enjoys preferential right as to payment of dividend at a fixed rate and the return of capital on winding up of the Company. Preference shares cannot be traded, unlike equity shares, and are redeemed after a pre-decided period. Also, Preferential Shareholders do not have voting rights.
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Year: 2022

Objective Type Questions (1 Mark)

- **Q7:** By what designation are the agents of a Depository known?
 - **Answer:** Depository Participants (DPs).
- **Q8:** Name the regulatory body for Mutual Funds.
 - **Answer:** Securities Exchange Board of India (SEBI).
- **Q9:** By what name is the corporate action which splits existing shares into smaller denominations called?
 - **Answer:** Stock Split.
- **Q10:** What do you mean by 'Time value of Money'?
 - **Answer:** It is the relationship between the value of a rupee today and the value of a rupee in the future. It demonstrates that an amount invested today has more value than the same amount invested at a later date because it can utilize the power of compounding.
- **Q11:** Write the formula of Stock Turnover Ratio (Inventory Turnover Ratio).
 - **Answer:** Inventory Turnover Ratio = Cost of Goods Sold / Average Inventory.
- **Q12:** Long term solvency of a firm can be judged by using which ratios?
 - **Answer:** Leverage or capital structure ratios (like Debt-Equity Ratio and Debt-Asset Ratio).

Subjective Type Questions (2-4 Marks)

- **Q13: Describe any two benefits of a dematerialized (Demat) account.**
 - **Answer:** 1) Immediate transfer of securities. 2) No stamp duty on transfer of securities.
- **Q14: What is meant by 'Gilt Funds'?**
 - **Answer:** These are funds that invest in Central and State Government securities. They give a secured return and also ensure safety of the principal amount.
- **Q15: Explain any two functions of a clearing corporation.**
 - **Answer:** 1) It clears and settles all transactions (completes the process of receiving and delivering shares/funds). 2) It provides financial guarantee for all transactions executed on the exchange.
- **Q16: What is meant by conversion period?**
 - **Answer:** Conversion period refers to how often the interest is calculated over the term of the loan or investment. It is the frequency at which interest is compounded, such as semi-annually (twice a year) or quarterly.
- **Q17: What do you mean by 'Reserves and Surplus'?**
 - **Answer:** It represents the retained profits accumulated over the years. It is the part of the profit retained by the company for meeting fund requirements in future, after distributing dividends.
- **Q18: Calculate Gross Profit Ratio (Sales = ₹1,00,000; Gross Profit = ₹30,000).**
 - **Answer:** Formula: $(\text{Gross Profit} / \text{Net Sales}) * 100$. Calculation: $(30,000 / 1,00,000) *$

100 = 30%.

- **Q20: Describe stock split.**

- **Answer:** A stock split is a corporate action which splits the existing shares of a particular face value into smaller denominations so that the number of shares increase. However, the market capitalization or the value of shares held by the investors post split remains the same as that before the split.

- **Q21: Describe an annual report and its features.**

- **Answer:** An annual report is a formal financial statement issued yearly by a corporate. It shows assets, liabilities, revenues, expenses and earnings. Key features to review include: Director's Report, Auditors' Report, Profit and Loss Account, Balance Sheet, and Notes to accounts attached to the Balance Sheet.